

Fund Information	30 June 2020			
Fund Size	\$806 million			
Fund Type	PIE			
Investment management	PIMCO			
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged			
Performance (gross)	1 month	3 months	1 Year	3 Year pa
Portfolio (%)	+0.98%	+4.37%	+4.76%	+5.04%
Benchmark (%)	+0.50%	+2.40%	+5.69%	+5.03%
Alpha (%)	+0.48%	+1.97%	-0.93%	+0.01%

The performance in this fact sheet is gross of fees and tax. Investors should also refer to the quarterly Fund Update, which is available on hunterinvestments.co.nz and business.govt.nz/disclose.

Performance update

The Hunter Global Fixed Interest Fund outperformed its benchmark again in June as market conditions continued to recover from the March quarter's sell off. Ongoing monetary and fiscal support from the regulators remains a key driver of markets.

Our holdings of securitised assets, in particular, US non-agency mortgages and European RMBS, added value as spreads tightened on ongoing Fed support, outperforming like duration government securities. Similarly, emerging markets (EM) external debt and peripheral European debt also contributed positively as spreads tightened against core developed markets countries. UK curve positions and US TIPS also added value on the back of central bank purchases.

However, our exposure to a basket of EM currencies detracted slightly as the USD strengthened late in the month.

Investment markets

Risk assets continued to rally through June as investor optimism built. The potential for additional policy action helped global equities finish the month higher, with the S&P 500 posting its best quarter since 1998, oil prices continued their rebound and credit spreads tightened, while the U.S. dollar weakened against its developed market counterparts. Sovereign bond yields were mixed, with curves modestly steepening in some regions as central bank activity generally anchored rates near current levels, and gold futures reached their highest levels since 2011.

Investors ignored weaker Covid-19 induced economic outcomes and focussed instead on the path to economic recovery and the ongoing stimulus programmes. The resurgence of Covid-19 cases late in June and heightened geopolitical tensions, as China imposed new security laws in Hong Kong, were largely ignored by investors but remain a concern going forward.

Portfolio positioning

PIMCO is maintaining a cautious view towards both interest rates and corporate credit, with a focus on relative value positions and diversified alpha strategies. Within broader risk exposures, they maintain tactical tilts designed to benefit across a range of scenarios given the increasingly fragile environment.

The Fund has slightly less absolute duration than the index at 6.9 years vs 7.2 years for the benchmark. This is partially a reflection of yield curve positioning with shorter maturities enjoying central bank support whereas the longer maturities are more likely to be impacted by increased issuance and inflation over time.

PIMCO still prefers U.S. duration for its resilience should the global economy worsen.

The Fund remains underweight to corporate credit generally, while targeting shorter maturities and financials.

Securitised assets (Agency and non-agency mortgages, U.K. mortgages and Danish covered bonds) remain PIMCO's preferred way to take spread exposure. The Fund is also long non-core Europe vs core Europe as further spread contraction is expected as QE continues.

The Fund is also long US TIPS given their depressed valuations.

Currency strategies are largely tactical or target portfolio diversification, we are currently short USD vs EUR and other select DM and EM currencies.

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30 June 2020

**Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics**



Investment Statistics	
Effective Duration	6.9
Benchmark Duration	7.3
Average Maturity	9.5
Average Coupon	2.1
Average Quality	AA-
Total Carry	2.7

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
54.7	AAA	37.4
9.2	AA	15.3
16.4	A	31.6
15.1	BBB	15.8
4.6	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.4	0.1	0 - 1 years	0.2	0.0
-4.4	7.5	1 - 3 years	-0.3	0.6
25.5	11.5	3 - 5 years	1.8	0.8
38.8	24.9	5-10 years	2.7	1.8
37.6	56.0	10+ years	2.6	4.1
100	100	Total	6.9	7.3

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.2	1.2	Australia/NZ	0.2	0.1
14.8	19.1	Japan	1.0	1.4
17.5	24.2	Europe - EMU	1.2	1.8
5.6	1.4	Europe - Non EMU	0.4	0.1
4.8	7.9	United Kingdom	0.3	0.6
45.6	39.2	North America	3.1	2.9
6.8	5.2	Emerging Markets	0.5	0.4
1.8	1.7	Other	0.1	0.1
100	100	Total	6.9	7.3

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
41.5	57.5	Government	2.9	4.2
3.8	8.1	Agency/Semi	0.3	0.6
23.6	5.3	Mortgage	1.6	0.4
12.6	18.9	Inv Grade Corp	0.9	1.4
0.5	0.0	High Yield Corp	0.0	0.0
15.9	10.2	Emerging Markets	1.1	0.7
2.1	0.0	Cash Equivalents	0.1	0.0
100	100	Total	6.9	7.3

